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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

AT&T's Request for a Permanent  
Replacement of the current method of  
funding the Universal Service Fund  
and for adopting a temporary revenue-  
based method for allocating USF costs  
among interexchange carriers )

RM 8408

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MTS and WATS Market Share )

CC Docket No. 78-72

Amendment of Part 36 of the  
Commission's Rules and  
Establishment of a Joint Board )

CC Docket No. 80-286

GTE's COMMENTS

GTE Service Corporation and  
its affiliated domestic  
telephone operating companies

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January 14, 1994

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## SUMMARY

In order to make the most efficient use of industry resources, the Commission should initiate a broad proceeding that will address in an integrated and comprehensive fashion the issues raised by the *AT&T Petition*, the *MFS Petition*, and by comments filed in relation thereto.

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**GTE's COMMENTS**

GTE Service Corporation and its affiliated domestic telephone operating companies ("GTE"), with reference to the Public Notice dated December 15, 1993, Report No. 1990, submit the following comments regarding the Petition of American Telephone and Telegraph Company ("AT&T") for Rulemaking (the "*AT&T Petition*") filed on November 24, 1993.

**BACKGROUND**

AT&T asserts (at 2) that a "serious problem" exists with the current operation of the Universal Service Fund ("USF"), "namely, the discriminatory and anticompetitive manner in which USF costs are allocated among interexchange carriers." AT&T claims (at 7-10) that since USF funding is allocated among IXC's based on presubscribed lines, it is competitively disadvantaged. AT&T explains that this occurs since it pays a disproportionate amount of USF support because presubscribed lines do "not accurately reflect the various IXC's' shares of the long distance market."

AT&T asks (at 11-13) the Commission to: (i) address this issue within the context of its pending long-term examination of the USF,<sup>1</sup> and (ii) implement an interim "revenue-based allocation mechanism at the same time as it implements the proposed cap on the USF."

### DISCUSSION

#### **THE COMMISSION SHOULD CONSIDER ALL UNIVERSAL SERVICE FUNDING ISSUES WITHIN THE CONTEXT OF A PROCEEDING THAT REEVALUATES NATIONAL UNIVERSAL SERVICE POLICY.**

The time is ripe for Commission action to reevaluate national universal service policy. A consensus of comments recently filed in response to the *MFS Petition*<sup>2</sup> urged initiation of a broad examination that would address all aspects of universal service policies and support mechanisms.<sup>3</sup> GTE recommends that the Commission not embark upon the planned long-term *USF NPRM* proceeding that will be narrowly focused only on one explicit universal service support system, the USF. Rather, the Commission should use the resources allocated to that effort to evaluate all explicit universal service mechanisms, including the issue of allocation of USF support raised by the *AT&T Petition*, as well as the current market distortion caused by having universal service

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<sup>1</sup> *Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board*, CC Docket No. 80-286, Notice of Proposed Rulemaking ("USF NPRM"), FCC No. 93-435 (September 14, 1993), at Paragraphs 2-3.

<sup>2</sup> Petition of MFS Communications Company, Inc. ("MFS") for a Notice or Inquiry and *En Banc* Hearing (the "*MFS Petition*") filed on November 1, 1993, RM-8388.

<sup>3</sup> See RM-8388 Comments filed December 16, 1993 by: Association for Local Telecommunications Services at 4; Electric Lightwave, Inc. at 2; MCI at 3-4; AT&T at 2; General Communication, Inc. ("GCI") at 1; National Cable Television Association, Inc. ("NCTA") at 1; International Communication Association at 2; Alliance for Public Technology, Inc. ("APT") at 1; Illinois Commerce Commission ("ICC") at 3; United States Telephone Association at 1; BellSouth at 1-2; Organization for the Protection and Advancement of Small Telephone Companies at 3; and Rochester at 1.

support implicit in only exchange carrier service prices.<sup>4</sup> It would not be an effective use of the limited resources available to conduct a proceeding aimed at only the USF, when it is entirely likely that the outcome of a broader universal service proceeding could mean that any decisions reached in a narrowly focused USF proceeding would be rendered academic. Further, since the schedule announced for the *USF NPRM* envisions a two-year process, it is difficult to imagine how a more comprehensive proceeding could delay Commission action on the issues now earmarked for consideration in the *USF NPRM*.

GTE is sympathetic to AT&T's concerns that it not be competitively disadvantaged by any allocation process for universal service support. As GTE stated in its' *MFS Petition* Comments (at 5), "it is imperative that ... support payments be gathered in a manner that does not distort competition in the markets in which contributors participate." A number of parties agree with this principle.<sup>5</sup>

GTE believes the concerns stated in the *AT&T Petition* can best be addressed by Commission action to create a universal service contribution process – as recommended by the *MFS Petition* (at 18-19) – so that "subsidies [will] be spread as broadly and as equitably as possible." Filed comments reflect overwhelming support for that recommendation as well.<sup>6</sup> Any IXC objections to the *AT&T Petition* because of anticipated increases in USF contribution levels could be addressed far more efficiently

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<sup>4</sup> The USF is only a fraction of total universal service support flows. The magnitude of the support inherent in exchange carrier access and toll rates dwarfs the dollars associated with the USF.

<sup>5</sup> See RM-8388 Comments filed December 16, 1993 of: NCTA at 8; ICC at 10; and Southwestern Bell Telephone Company ("SWBT") at 9. See also, *MFS Petition* at 13.

<sup>6</sup> See RM-8388 Comments filed December 16, 1993 of: GCI at 3; NCTA at 7-9; ICC at 9; SWBT at 9; US West at 2; BellSouth at 4; Bell Atlantic at 8; Ameritech at 2; Citizens at 3; APT at 4.


by broadening the base of firms that support universal service – an action that could have the effect of reducing the contribution of any particular IXC. In contrast, the planned long-term proceeding initiated by the *USF NPRM* does not offer the forum to consider such a broad restructuring.

**In summary:** GTE urges the Commission, in order to make the most efficient use of industry resources, to begin a broad proceeding that will address in an integrated and comprehensive fashion the issues raised by the *AT&T Petition*, as well as the *MFS Petition*, and by comments filed in relation to these petitions.

Respectfully submitted,

GTE Service Corporation and  
its affiliated domestic  
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January 14, 1994

Their Attorneys

## **Certificate of Service**

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "GTE's Comments" have been mailed by first class United States mail, postage prepaid, on the 14th day of January, 1994 to the following parties:

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